MCI Telecommunications Corporation
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MCI

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November 22, 1995

Mr. William F. Caton
Secretary
Federal Communications Commission
Room 222
1919 M Street, N.W.
Washington, D.C. 20554

DOCKET FILE COPY ORIGINAL

Re: Lambda Communications, Inc., Emergency Petition for Rulemaking to Apply Expanded Interconnection Obligations to the Puerto Rico Telephone Company

Dear Mr. Caton:

Enclosed herewith for filing are the original and four (4) copies of MCI Telecommunications Corporation's Comments regarding the above-captioned matter.

Please acknowledge receipt by affixing an appropriate notation on the copy of the MCI Comments furnished for such purpose and remit same to the bearer.

Sincerely yours,

Don Sussman
Regulatory Analyst

Enclosure
DHS

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Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, DC 20554

In the Matter of:	)	
	)	
Lambda Communications, Inc.	)	
	)	
Emergency Petition for Rulemaking to Apply Expanded Interconnection Obligations to the Puerto Rico Telephone Company	)	RM 8708

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MCI COMMENTS

I. Introduction

MCI Telecommunications Corporation ("MCI") respectfully submits its Comments regarding the petition for rulemaking filed by Lambda Communications, Inc. ("Lambda"), on September 29, 1995. In its petition, Lambda asks the Commission to issue a notice of proposed rulemaking to amend Section 61.1401 of its rules in a manner that applies expanded interconnection requirements currently applicable to all other Tier 1 local exchange carriers ("LECs") to the Puerto Rico Telephone Company ("PRTC").[1] Given the many benefits that stem from competition, MCI supports Lambda's

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[1] 47 C.F.R. §§ 64.1401-64.1402. Expanded Interconnection with Local Exchange Carrier Facilities, Report and Order, 7 FCC 7369 (1992), ("Special Access Expanded Interconnection Order"). Second Report and Order and Third Notice of Proposed Rulemaking, 8 FCC Rcd 7341 (1993) ("Switched Transport Expanded Interconnection Order"), Order on Reconsideration, 9 FCC Rcd 5154 (1994), vacated in part, remanded in part, Bell Atlantic Tel. Cos. v FCC, 24 F.3d 1441 (D.C. Cir. 1994) ("Virtual Collocation Order").

request that the Commission revisit the rules which presently exempt PRTC from Commission-mandated expanded interconnection policies. However, rather than limiting the proposed rulemaking to the regulation of a single carrier (PRTC), as is requested by Lambda, the Commission should modify its existing rules to allow new entrants to interconnect to all LECs through expanded interconnection, irrespective of a LEC's size and geographic location, upon reasonable request.

II. Background

In the Special Access Expanded Interconnection Order, the Commission tentatively decided to apply its expanded interconnection requirements to all Tier 1 LECs except NECA pool members. The Commission explained that, at the time the Special Access Expanded Interconnection Order was issued, the Commission was not convinced that it would be beneficial to require a NECA pool carrier to provide expanded interconnection because such LECs have less pricing flexibility.[2] The Commission did state in the Special Access Expanded Interconnection Order and in the Switched Transport Expanded Interconnection Order, however, that it might revisit its decision to exclude NECA pool members

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[2] Special Access Expanded Interconnection Order, 7 FCC Rcd at 7389-7399.

from expanded interconnection requirements after the Commission had an opportunity to observe the effect of expanded interconnection on other LECs.[3]

III. All LECS Should Be Required To Offer Expanded Interconnection

MCI urges the Commission to initiate a rulemaking that will allow the Commission to modify existing rules to require all LECs to offer expanded interconnection services upon reasonable request. Such modifications will extend the benefits of competition to customers in all areas, and help ensure that society does not develop into one of information "have" and "have-nots" as a result of geographic location.

The Commission has previously concluded, and often restated, that competition is good for all consumers. Competition has produced important benefits in the interstate toll and customer premises equipment ("CPE") markets, such as reduced rates, a larger variety of service options, and more rapid deployment of new technologies. Increased competition created by expanded interconnection also would: increase customer choice, particularly for customers in need of enhanced service reliability; increase LEC incentives for efficiency;

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[3] Id; Switched Transport Expanded Interconnection Order, 8 FCC Rcd at 7400.

spur the LECs to deploy new technologies and improve customer service; and yield cost-based prices for services subject to competition.[4]

These important benefits should not be limited to customers of only the largest LECs. Customers in areas served by smaller carriers deserve competition just as much as those served by Tier 1 carriers. Commission policies that ensure that end users in all geographic locations benefit from competition are clearly in the public interest, and would help ensure that all areas of society have the opportunity for economic growth and social development.

The process for introducing competition into areas served by smaller carriers should not indefinitely deny new entrants the opportunity to compete. Just as the Commission determined that equal access was necessary to promote competition in the long-distance markets, so has the Commission determined that expanded interconnection is a precursor to the development of competition in the local telecommunications markets. As with equal access conversion, the Commission might determine that it is necessary to afford smaller LECs additional time and different conditions to offer expanded

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[4] Switched Transport Expanded Interconnection Order, 8 FCC Rcd at 7378-7385.

interconnection.[5] However, the Commission's rules should not act as a shield behind which these LECs can hide from competition.

In determining the process by which competition is introduced into areas served by smaller carriers, the Commission must ensure that the incumbent LECs do not share the risk inherent in the development of competition in one area with members of the NECA pool that serve other areas. Pooling is a risk-sharing device and is fundamentally at odds with competition. The Commission must, therefore, determine if NECA pool members that receive a bona fide request for expanded interconnection should be permitted to remain in the NECA pools, or whether the Commission needs to amend its rules to require pool

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[5] In the ITC Equal Access Order, the Commission required independent telephone companies ("ITC's") to convert their end offices to equal access under certain conditions. MTS and WATS Market Structure, CC Docket No. 78-72, Phase III Order, 100 FCC 2d 860 (1985) ("ITC Equal Access Order"). Strict timetables for conversion had been imposed upon Bell Operating Companies ("BOCs") under the Modification of Final Judgment, United States v American Tel. & Tele. Co., 552 F 131 (D.D.C. 1982), aff'd sub nom. Maryland v. United States, 460 U.S. 1001 (1983) ("Modification of Final Judgment"), and upon the GTE Operating Companies ("GTOCs") under the GTE Consent Decree. United States v. GTE Corp., 603 F. Supp. 730 (D.D.C. 1984). The Commission recognized differences between those companies and ITCs with respect to the types of markets served, switching technologies employed, and financial resources available to undertake equal access conversion. Because of these differences, the Commission determined that timetables imposed on the BOCs and the GTOCs would not be appropriate for ITCs other than GTE.

The Modification of Final Judgment required the Bell Operating Companies to provide non-discriminatory access to interexchange carriers, upon bona fide request, in every end office no later than September 1, 1986. The Commission required ITCs to convert end offices equipped with stored program controlled ("SPC") switches within three years of a reasonable request for conversion to equal access by an IXC.

members to exit the traffic sensitive pool within a reasonable amount of time of receiving a bona fide request for expanded interconnection. These LECs could select either rate-of-return regulation, the Part 61.39 streamlined rate-of-return regulation, price cap regulation, or optional incentive regulation.

The Commission originally created NECA because most smaller companies had never filed tariffs of any kind.[6] The Commission determined that it would be totally unrealistic to expect such companies to prepare and justify separate tariffs, given the time contraints immediately following divestiture.[7] The Commission also determined that it would have been unrealistic to suppose that the Commission could have reviewed 1500 access tariffs in a meaningful manner if all carriers had been required to file separate tariffs at the time of divestiture.[8] Clearly, after more than a decade, these concerns no longer exist.

All LECs have had ample time to learn how to develop their own tariffs and how to collect the data needed to develop their own rates. In fact, carriers that belong to pools have been required to track their costs (to follow Parts 32, 36, and 69 of the Commission's rules), and have been reporting minutes of use information (for NECA settlement purposes) for years. Additionally, there exists little risk that a large number of pooled carriers would receive requests for

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[6] MTS and WATS Market Structure, CC Docket No. 78-72 ("Phase 1"), Third Report and Order, 93 FCC 2d 241 (1983) at 332.

[7] Id.

[8] Id.

expanded interconnection at any one time, thereby preventing the Commission from being able to fully analyze the proposed LEC tariffs. Similarly, it is unlikely that requests for expanded interconnection would be so widespread as to cause a sudden impact to other pool members' rates.

There exists no principled basis to distinguish carriers like PRTC from Tier 1 non-NECA pool members that are required to offer expanded interconnection. In fact, PRTC's access revenues are greater than several of the carriers which the Commission requires to offer expanded interconnection. For example, in 1994, PRTC's interstate access revenues totaled $194 million, while Cincinnati Bell Telephone and Rochester Telephone generated $107 million and $57.5 million in interstate access revenues, respectively.[9] The Commission has concluded that the benefits of expanded interconnection outweigh any disadvantage of the policy.[10] It is now time for the Commission to make available the benefits of competition to all telecommunications customers, regardless of the location.

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[9] Source: Statistics of Communications Common Carriers, released July 7, 1995, Table 2.9.

[10] Switched Transport Expanded Interconnection Order, 8 FCC Rcd at 7386.

IV. Conclusion

For the above-mentioned reasons, MCI urges the Commission to initiate a rulemaking to amend its rules in a manner that applies expanded interconnection requirements to all carriers, in all geographic locations.

Respectfully submitted,
MCI TELECOMMUNICATIONS CORPORATION

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November 22, 1995

STATEMENT OF VERIFICATION

I have read the foregoing and, to the best of my knowledge, information, and belief, there is good ground to support it, and it is not interposed for delay. I verify under penalty of perjury that the foregoing is true and correct. Executed on November 22, 1995.

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CERTIFICATE OF SERVICE

I, Stan Miller, do hereby certify that copies of the foregoing Comments were sent via first class mail, postage paid, to the following on this 22nd day of November.

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